

## Morgan Stanley Liquidity Funds

## Country Exposure

LIQUIDITY | GLOBAL LIQUIDITY TEAM | NOVEMBER 2017

Consistent with our investment philosophy, we continue to manage our portfolios defensively with respect to liquidity and duration. To assist you, we are pleased to provide our country exposures for each fund as follows:

|                      | USD<br>LIQUIDITY FUND | EURO<br>LIQUIDITY FUND <sup>1</sup> | STERLING<br>LIQUIDITY FUND | USD TREASURY<br>LIQUIDITY FUND |
|----------------------|-----------------------|-------------------------------------|----------------------------|--------------------------------|
| Australia            | 7.93%                 | 1.47%                               | 8.09%                      | -                              |
| Austria              | -                     | -                                   | -                          | -                              |
| Belgium              | 3.49%                 | 4.01%                               | 2.32%                      | -                              |
| Canada               | 10.79%                | 1.09%                               | 5.65%                      | -                              |
| Chile                | 1.82%                 | -                                   | -                          | -                              |
| China                | -                     | -                                   | -                          | -                              |
| Denmark              | -                     | 1.46%                               | 2.09%                      | -                              |
| Finland              | -                     | 2.34%                               | 4.95%                      | -                              |
| France               | 14.38%                | 28.23%                              | 18.48%                     | -                              |
| Germany              | 3.13%                 | 5.71%                               | 6.38%                      | -                              |
| Japan                | 17.28%                | 23.57%                              | 22.42%                     | -                              |
| Luxembourg           | 1.30%                 | -                                   | -                          | -                              |
| Netherlands          | 4.71%                 | 7.93%                               | 13.21%                     | -                              |
| Norway               | 1.40%                 | 0.30%                               | -                          | -                              |
| Qatar                | -                     | -                                   | -                          | -                              |
| Singapore            | 10.61%                | -                                   | 2.78%                      | -                              |
| Sweden               | 7.45%                 | 7.48%                               | 5.01%                      | -                              |
| Switzerland          | 1.01%                 | 4.92%                               | 1.90%                      | -                              |
| United Arab Emirates | -                     | -                                   | -                          | -                              |
| United Kingdom       | 2.40%                 | 1.74%                               | 2.69%                      | -                              |
| United States        | 12.30%                | 9.75%                               | 4.03%                      | 100.00%                        |

As of 30 November 2017

The Morgan Stanley portfolios invest in a diversified pool of high quality short-term debt securities according to a disciplined interest-rate and credit risk management process. Morgan Stanley continues to have confidence in the structure of our portfolios based on the value of our research, process, and firmwide resources.

<sup>1</sup> THE CURRENT NET NEGATIVE YIELD RETURN: Please be advised that as of 6 May 2015, the Euro Liquidity Fund, a sub-fund of Morgan Stanley Liquidity Funds, began returning a negative net yield. In accordance with the fund's procedures for operating in a net negative yield environment, which are noted in the fund's prospectus, the distributing share class of the fund will reduce the number of shares held by shareholders on pro rata basis each day in order for the fund to seek to maintain a constant net asset value.

## Key Fund Highlights

|                           | USD<br>LIQUIDITY FUND | EURO<br>LIQUIDITY FUND <sup>1</sup> | STERLING<br>LIQUIDITY FUND | USD TREASURY<br>LIQUIDITY FUND |
|---------------------------|-----------------------|-------------------------------------|----------------------------|--------------------------------|
| 7-Day Liquidity           | 30.97%                | 35.63%                              | 27.32%                     | 100.00%                        |
| Weighted Average Maturity | 28                    | 42                                  | 50                         | 44                             |
| Weighted Average Life     | 76                    | 45                                  | 56                         | 79                             |

<sup>1</sup> THE CURRENT NET NEGATIVE YIELD RETURN: Please be advised that as of 6 May 2015, the Euro Liquidity Fund, a sub-fund of Morgan Stanley Liquidity Funds, began returning a negative net yield. In accordance with the fund's procedures for operating in a net negative yield environment, which are noted in the fund's prospectus, the distributing share class of the fund will reduce the number of shares held by shareholders on pro rata basis each day in order for the fund to seek to maintain a constant net asset value.

## Portfolio Manager Approach

### OVERVIEW

The Global Liquidity team's investment process continues to focus on robust credit research and risk management. Our dedicated credit analysts based in London and New York conduct independent analysis of the money market securities universe. Our money market "approved list" is continually monitored so names may be added or suspended as warranted. Although we follow the rating agencies' views closely, we base our investment decisions on our in-depth analysis. Additionally, sovereign risk is subject to ongoing review, similar to the issuer credit research process, whereby current political and economic events, internal and external research reports and rating actions are constantly monitored.

We are comfortable with the country exposures in which we invest based on our analysis of the country's financial strength and the country's ability to absorb losses in the event of a default or restructuring.

### Summary

At the cornerstone of our liquidity funds complex is an investment process focused on extensive credit research and risk management. In the recent uncertain markets, protecting the safety and liquidity of the portfolio's assets remains our first priority. Morgan Stanley has managed liquidity solutions since 1975 and is dedicated to offering money funds. The team has \$152.0 billion in assets under management across a variety of money funds and manages money in three currencies, U.S. Dollar, Euro and Sterling.

### Risk Considerations

- The value of bonds are likely to decrease if interest rates rise and vice versa.
- Issuers may not be able to repay their debts, if this happens the value of your investment will decrease. This risk is higher where the fund invests in a bond with a lower credit rating.
- The fund relies on other parties to fulfill certain services, investments or transactions. If these parties become insolvent, it may expose the fund to financial loss.
- While it is intended that the distributing share classes will maintain a share price of €1/\$1/£1, this may not be achieved due to the creditworthiness of the issuers of investments held or changes in interest rates.
- The value of the investments and the income from them will vary and there can be no assurance that the Fund will achieve its investment objectives.

**For information about Morgan Stanley Investment Management's liquidity product offerings and the team's market views, please visit [www.morganstanley.com/liquidity](http://www.morganstanley.com/liquidity) or contact:**

**Kim Hochfeld**  
Head of EMEA Liquidity Distribution  
+44 20 7677-6161  
[Kim.Hochfeld@ms.com](mailto:Kim.Hochfeld@ms.com)

**Frederick McMullen**  
Co-Head of Global Liquidity  
212-296-0957  
[Frederick.McMullen@ms.com](mailto:Frederick.McMullen@ms.com)

### DEFINITIONS

**Weighted average life (WAL)** – measures the weighted average of the maturities of the portfolio's individual holdings. **Weighted average maturity (WAM)** – measures the weighted average of the maturities of the portfolio's individual holdings, taking into account reset dates for floating rate securities. **Weekly Liquid Assets (%)**– Amended rule 2a-7(a)(32) (defining "weekly liquid assets" to mean (i) cash; (ii) direct obligations of the U.S. Government; (iii) Government securities issued by a person controlled or supervised by and acting as an instrumentality of the Government of the United States pursuant to authority granted by the Congress of the United States, that are issued at a discount to the principal amount to be repaid at maturity and have a remaining maturity of 60 days or less; and (iv) securities that will mature or are subject to a demand feature that is exercisable and payable within five business days).

### DISTRIBUTION

This communication is only intended for and will only be distributed to persons resident in jurisdictions where such distribution or availability would not be contrary to local laws or regulations. In particular, the Shares are

not for distribution to US persons.

**United Kingdom:** Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority. Registered in England. Registered No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA, authorised and regulated by the Financial Conduct Authority.

**Germany:** Morgan Stanley Investment Management Limited Niederlassung Deutschland Junghofstrasse 13-15 60311 Frankfurt Deutschland (Gattung: Zweigniederlassung (FDI) gem. § 53b KWG).

**Italy:** Morgan Stanley Investment Management Limited, Milan Branch (Sede Secondaria di Milano) is a branch of Morgan Stanley Investment Management Limited, a company registered in the UK, authorised and regulated by the Financial Conduct Authority (FCA), and whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4QA. Morgan Stanley Investment Management Limited Milan Branch (Sede Secondaria di Milano) with seat in Palazzo Serbelloni Corso Venezia, 16 20121 Milano, Italy, is registered in Italy with company number and VAT number 08829360968.

**The Netherlands:** Morgan Stanley Investment Management, Rembrandt Tower, 11th Floor Amstelplein 1 1096HA, Netherlands. Telephone: 31 2-0462-1300. Morgan Stanley Investment Management is a branch office of Morgan Stanley Investment Management Limited. Morgan Stanley Investment Management Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom.

**Switzerland:** Morgan Stanley & Co. International plc, London, Zurich Branch I Authorised and regulated by the Eidgenössische Finanzmarktaufsicht ("FINMA"). Registered with the Register of Commerce Zurich CHE-115.415.770. Registered Office: Beethovenstrasse 33, 8002 Zurich, Switzerland, Telephone +41 (0) 44 588 1000. Facsimile Fax: +41 (0) 44 588 1074.

#### IMPORTANT INFORMATION

**EMEA:** This marketing communication has been issued by Morgan Stanley Investment Management Limited ("MSIM"). Authorised and regulated by the Financial Conduct Authority. Registered in England No. 1981121. Registered Office: 25 Cabot Square, Canary Wharf, London E14 4QA.

This document contains information relating to the sub-funds ('Funds') of Morgan Stanley Liquidity Funds, a Luxembourg domiciled Société d'Investissement à Capital Variable. Morgan Stanley Investment Funds (the "Company") is registered in the Grand Duchy of Luxembourg as an undertaking for collective investment pursuant to Part 1 of the Law of 17th December 2010, as amended. The Company is an Undertaking for Collective Investment in Transferable Securities ("UCITS").

Applications for shares in the Fund should not be made without first consulting the current Prospectus, Key Investor Information Document ("KIID"), Annual Report and Semi-Annual Report ("Offering Documents"), or other documents available in your local jurisdiction which is available free of charge from the Registered Office: European Bank and Business Centre,

6B route de Trèves, L-2633 Senningerberg, R.C.S. Luxembourg B 29 192.

All investments involve risks, including the possible loss of principal. The material contained herein has not been based on a consideration of any individual client circumstances and is not investment advice, nor should it be construed in any way as tax, accounting, legal or regulatory advice. To that end, investors should seek independent legal and financial advice, including advice as to tax consequences, before making any investment decision.

**The information contained in this communication is not a research recommendation or 'investment research' and is classified as a 'Marketing Communication' in accordance with the applicable European or Swiss regulation. This means that this marketing communication (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research (b) is not subject to any prohibition on dealing ahead of the dissemination of investment research.**

MSIM has not authorised financial intermediaries to use and to distribute this document, unless such use and distribution is made in accordance with applicable law and regulation. MSIM shall not be liable for, and accepts no liability for, the use or misuse of this document by any such financial intermediary. If you are a distributor of the Morgan Stanley Investment Funds, some or all of the funds or shares in individual funds may be available for distribution. Please refer to your sub-distribution agreement for these details before forwarding fund information to your clients.

The whole or any part of this work may not be reproduced, copied or transmitted or any of its contents disclosed to third parties without MSIM's express written consent.

All information contained herein is proprietary and is protected under copyright law.